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Fiscal Notes and Queries.



BY
de F. PENNEFATHER.

LIVERPOOL:
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**“Relative Progress of the
Cotton Industries of the World
under ‘Free Trade’ and
‘Protection.’”**

By de F. Pennefather.

PREFACE.

At the outset I would say that I am opposed to any scheme which would either reduce the working man's earnings, or reduce the purchasing power of those earnings. I only advocate tariff reform because I am convinced that such reform is absolutely necessary in order *to preserve* for the working classes at all events as much comfort as they now enjoy.

My fear is that if our tariff is not reformed in the near future, the working classes will be very much worse off than they are at present.

I regard a reduction of the earning power of the working classes as being the greatest possible tax on food, and fear that unless we reform our fiscal system, the earnings of our working classes will be reduced by the competition of the working classes in other countries.

So far from favouring any scheme which I thought could possibly make the working classes worse off, I am mainly interested in the question of tariff reform because I am not even satisfied with the present position of our working classes.

Although want of education and intemperance are responsible for a great deal of poverty, I am not convinced that it is altogether their own fault that there are twelve millions, or even six millions, of people in these islands so poor as to be on the verge of hunger, and this in spite of the constant emigration of surplus population.

I have a better opinion of my fellow-men than to think that all the evil causes which displace labour from the country and drive it to compete with town labour, which drive a certain proportion of respectable town labour into the slums, and which drive from the slums a certain proportion into the workhouse or prison, are implanted in the nature of those human beings themselves.

I cannot think that any very large number of our people *deliberately* choose idleness, drunkenness, and poverty, in preference to steady work, sobriety, and comfort.

I am inclined, on the contrary, to think that—in the majority of cases at all events—loss of employment, insufficient employment, the difficulty of finding steady employment, the consequent break up of homes, and discomfort in homes, habits formed while out of employment, desperation, recklessness, and physical inefficiency engendered by the lack of steady employment, are all potent factors which tend to add to the “submerged tenth.”

Believing this, and also believing that the existence of such a class is in itself a great disadvantage, if not a danger to the community (and more particularly to the classes immediately above it) I am constrained to think that any legislation which would ensure to the working classes not only more employment, but steadier employment, would go far to alleviate the evil.

Under our present system of free imports of manufactured goods it appears to me that the evil can only grow greater and greater.

In other words, tariff reform will probably better the condition of our industrial population as a whole. Growing free imports of manufactures can only add more suffering to a total which already is unnecessarily large, and every ton of goods imported which we could have manufactured at home is so much loss of employment to our workers.

There may be a class who are their own determined enemies, which no legislation can help, but I hope I am justified in thinking that there is a still larger class that would, at all events, do better than they do now if they had better chances.


It is, therefore, from the point of view of the greatest good to the greatest number, and not in the interest of any special class or industry, that I have argued the matter, and I therefore crave the leniency of those who disagree with me.

I trust it is unnecessary for me to assure my many and greatly valued American and Continental friends that I have not on this, or any other question, feelings in any way hostile to their countries. They, no doubt, feel for their countries as I do for mine, otherwise why their Protective Tariffs?

In conclusion, I may add that I do not regard party politics as being, in any sense, a real factor in the present controversy.

de F. P.

October, 1903.



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THE COMMERCIAL BAROMETER.

Lord Rosebery, at Sheffield, made a very wise remark to the effect that you "could not avert a storm by sitting on the barometer."

The suggestion, although apparently very wide of the Fiscal Question, is useful, as it leads us to ask ourselves what the real use of a barometer is.

Is it not that (even though the glass be high) when we see the mercury falling and indicating "Storms ahead" we should take precautionary measures to protect ourselves or our property?

Can Lord Rosebery suggest any better use for a barometer?

If not, why should not Tariff Reformers use the commercial barometer in the same manner, and when they see the mercury of our exports falling advise precautionary measures to protect our industries?

The commercial barometer clearly indicates "bad weather ahead," and, after all, is it not nearly as foolish to ignore one's barometer as to sit upon it?

But barometers of the sort that Lord Rosebery referred to are mostly in the possession of the well-to-do.

A poorer man is as a rule guided in his forecast of the weather by the direction in which the wind blows.

When Lord Rosebery tells us that if we adopt Protective Tariffs "It would annoy Germany very much," "Harass France," "Complicate matters with Russia," and "Make a sort of commercial struggle with the United States," the working-man is shrewd enough to know that if that is the way the wind blows, all the more reason to adopt protection.

He knows that foreign countries would not be annoyed or harassed if we proposed to do anything that would injure ourselves and not them.

NATURAL PROTECTION.

Even those who admit that the changed conditions of the world justify the reconsideration of our fiscal system, find it difficult to fully realize one of the most important facts which lies close to the root of the whole question ; that is, that when England abolished her protection tariff, 60 years ago, she *must* have been influenced by the circumstances which then existed and which then afforded her a *natural* protection.

There were many conditions which not only at that time but for many years after did actually afford this natural protection to Great Britain. An evidence of this is to be found in the number of years which it took for the price of wheat to decline materially.

The natural protections which were afforded to this country by the circumstances of the world 50 or 60 years ago, and even later, may be tabulated as follows :—

1. That what most other countries produced were mainly raw materials.
2. That those countries could not produce sufficient manufactured goods to supply their own needs, much less the needs of this and other countries.
3. That, therefore, they could neither injure us in our own markets nor compete in other foreign or neutral markets.
4. That they were *then* willing to exchange their raw materials for our manufactured goods.
5. That even if these foreign countries had been able to manufacture more goods than they required, the cost and difficulties of sending them to us (so much greater then than now)* afforded a natural protection to our home manufactures.

* For instance, the freight on a quarter of wheat in 1858 from New York to Liverpool was 4/8 ; in 1902 under 1/-.

All these conditions, so protective to our home manufactures, have now either disappeared or been so greatly modified as to result in the fact that our natural protection, arising from circumstances, as well as our artificial protection, arising from tariffs, have both gone, and have left us unprotected to an extent that cannot possibly have been anticipated when our present Fiscal Policy was adopted.

We now, in fact, are in much the same position as a man would be who elected to go without his overcoat *because* he had on a warm suit of clothes, and who was then stripped of these clothes and left naked.

A man in such a position would undoubtedly have to "reconsider his position" or risk death from undue exposure.

A nation, as well as an individual, may suffer from undue exposure.

Natural protection, *when it exists*, is no doubt better than artificial protection, but if natural protection has departed artificial protection must be called upon as a substitute.

It is not a question of which one would prefer; it is a question of what must be done to prevent extinction.

MOTTOES.

"America for the Americans."

"Germany for the Germans."

"France for the French,"

are all popular cries in those countries.

Yet Englishmen can be found who for fear of offending those countries dare not even take as their motto, "**Within the British Empire the share of the British Lion must be the Lion's share.**"

IMPERIAL RECIPROCITY.

The farmer who makes cheese does not find many good customers amongst other farmers who also make cheese. His best customers are in the districts where people consume cheese and produce other manufactures. The farmer who sells milk does not send his milk to the country where cows are plentiful and people are scarce. He sends his cans to the places where cows are scarce and people are plentiful.

In other words, the best customers of an individual are those who do not produce the same articles but produce something different, and are therefore ready to consume what he produces and to produce what he consumes.

The same law applies to the nation as well as to the individual, and it is for that reason that in our colonies we can see our best markets for the future.

Foreign competitive countries produce many of the same articles that we produce. If we send them manufactured goods and they send us back in exchange manufactured goods,* it suits us little better than it would suit the farmer to be paid for his cheese by cheese, or for his cans of milk by other cans of milk. Payment for what you produce by something which you can produce equally well yourself can never be satisfactory.

Circumstances in the colonies are altogether different to circumstances in this country, and for many years to come must continue to be so. We mainly consist of vast masses of population densely crowded on a small extent of country; they mainly consist of vast extents of country over which a small population is thinly scattered.

The conditions in which we live force us to be more of a manufacturing country than an agricultural country. The conditions under which the colonials live force them to be more of an agricultural country than a manufacturing country. It is

* Foreign countries in 1892 sent us six million pounds worth of cotton yarns and goods for cotton yarns and goods sent by us to them!

not so much a matter of choice either for them or for us. It is a matter of natural compulsion which cannot be avoided.

The upshot of this great natural difference in conditions between ourselves and the colonies renders it natural that we should combine each to supply the wants of the other. What they must sell is just what we must buy, and what they must buy is just what we must sell.

We are the natural complement of each other, and as we are of the same race, speak the same language, fly the same flag, and, when need be, shed our blood in the same cause, what more reasonable than that we should enter into some arrangements for our mutual advantage; and how can this be done without an agreement, each of us to give to the other a preference over the foreigner.

The amount of preference our colonies ask of us is that we should reserve exclusively to them the advantages we now extend to the whole world. The preference we ask of them is that they should reserve to us greater privileges than they extend to the rest of the world.

Our great free market would suit them better than the smaller and restricted markets of other countries. Their rapid-growing, preferential, mainly non-competitive markets would suit us better than the diminishing, non-preferential and competitive markets of our foreign rivals.

Therefore, leaving out of account the natural love and affection which we feel for our colonies, and which they have *proved* they feel for us, we are forced to the conclusion that Imperial reciprocity ought to be acceptable to both sides as a commonsense solution of a simple commercial problem.

A QUESTION OF KEYS.

Mr. John Morley declared at Manchester that Free Imports are the only key to National Prosperity.

If so, how is it that other nations have entered into the house of National Prosperity with the key of Protection, and how was it that Great Britain had opened the door of national prosperity *long before the key of "Free Imports" had been forged?*

IMPORTS AND EXPORTS.

There are two ways of looking at these. We may regard our imports as payments made to us for goods exported by us and for "services rendered" to foreigners. Or we may regard our exports and "services rendered" as being payments made by us for the value of our imports.

Suppose we look at the matter in the first light, regarding our exports and services as the initial transaction and our imports as payments to us resultant therefrom.

That places us in the position of sellers and foreign countries as buyers from us, paying us for what we have sold or done.

Now is it wiser for us as a nation to leave it entirely to our foreign customers to pay us in whatever manner suits *them* best, or to try and influence them to pay us in the manner that suits *us* best?

If payment in raw materials conduces more to our national prosperity than payment in manufactured goods, surely we would be wise to offer inducements to the foreigner to pay us in raw materials rather than in manufactured goods! *

In all private transactions the seller regards the form and manner of payment as a most important factor in the bargain. He encourages payment in such a manner as suits his business; he discourages payments by any method which does not suit his business. Why, then, should the commercial policy of a nation differ from the commercial policy of the individuals that compose it?

Now, let us look at it from the other side and consider our imports as the initial transaction, and our exports and services as our payments thereof. That places us in the position of buyers paying foreign countries for what they have sold to us.

We are then at once confronted with the fact that foreign nations adopt exactly the same plan as individual sellers in this country adopt.

* By putting a duty on manufactured articles and letting in raw materials free.

That is to say (by graduated tariffs) they encourage us to pay them in the manner which suits them best, and discourage us from paying them in the manner that suits them least.

That such a policy is practical in its results is proved by the fact that it induces us to pay for our imports more and more in the articles which build up the industries of our competitors, and less and less in the articles which compete with their industrial developments.

We are thus brought face to face with this position—that in return for our exports (that is when we are the sellers) we are paid in the manner which suits the foreigner best, and that in return for our imports (that is when we are the buyers) we are led by foreign tariffs to pay the foreigner in the manner that *again* suits him best.

Surely this shows a singular absence of consideration for our own interests. If by the absence of any protective tariffs in our own country, *coupled with the presence of protective tariffs in other countries*, both our import and export trades are continually influenced into the channels which *best* suit the foreigner, it follows they are influenced into the channels which *least* suit ourselves. Yet it is in defence of such a state of things that some British ministers have resigned from the Cabinet!

The foregoing paragraphs have referred entirely to our trade with other protective countries which are competitors of ours in manufacture.

In the case of our colonies the position is totally different. They are not, to any important extent, manufacturing countries, nor can they become so (to any great extent) for a considerable time. Meanwhile the goods they have to sell are almost entirely goods which we want, and which we must buy from somewhere, *i.e.*, mainly food and raw materials. On the other hand what they must buy is what we most want to sell, *i.e.*, manufactured articles.

If we take a ship load of their food and raw materials from them, and they take a ship load of our manufactures in

payment, it is exactly what we and they want, and it would surely be a wise policy by Tariff Reform to influence as much trade as possible into the colonial channels which suit us so well, rather than to allow it—through an absence of any policy—to be influenced into the channels which suit us least and suit the foreigner best.

INVISIBLE EXPORTS OR SERVICES RENDERED.

We are frequently told that an excess of our imports over our exports is impossible unless we are spending our capital, of which there is no proof (of course if we regard coal as capital it cannot be denied that we are spending it).

It is maintained that we have a large “invisible export,” or, in other words, that we render many services to the world for which we are paid in goods, and that in order to get our figures correct we should add the value of these “invisible exports” to our visible exports, when the total would be found to equal the value of our imports.

By “services rendered” is meant mainly that our shipping earns freights by the carriage of the world’s goods, and that we earn vast sums by way of insurance premiums, commissions, profits, and other charges on the world’s commerce. This is undoubtedly satisfactory as far as it goes and for so long as it continues, but the question arises, are our invisible exports in this form likely to continue and to continue to the same extent?

Other countries are steadily forming—by purchase from us or otherwise—mercantile fleets of their own. These in the future will undoubtedly compete more and more severely with our sea carrying trade.

Other countries have built up and are steadily increasing commercial and financial institutions of their own, which will more and more severely compete with us for the premiums, profits, and commissions, we now earn for services rendered them.

In fact, other countries are not only anxious but are becoming increasingly able to render to the world the very services of which we have hitherto had almost the monopoly. As other countries progress in this direction we must recede. This will mean that our power of paying for our excess of imports in this manner must be lessened. How, then, shall we in the future pay in full for an excess of imports?

If we cannot do it by our combined exports and "services rendered" there is then no alternative for us, but either to pay for any excess of imports out of capital in some form or other or out of profits on our home trade. If in the meantime we have allowed our home trade to have become unprofitable owing to foreign competition, then we have nothing left to pay with but "capital."

It must be remembered that it was our industrial supremacy which was the foundation of our great shipping industry. It was on our industrial supremacy that our financial supremacy was built; it was our financial supremacy that enabled us to be the Bankers, Carriers, Insurance Merchants, and Brokers of the world. These first-class functions (the power, that is, of rendering such services to the world) cannot well belong to any but a first-class power.

If we allow our Agriculture, our Carrying, and our Export Trade, all to dwindle and our home market to be largely captured by foreign competitors, we must inevitably sink to the position of a second or third-rate power, and it is against history and against commonsense to suppose that a second or third-rate power can long continue to render the highest and most remunerative kind of services to the rest of the world.

Such a monopoly as that must inevitably be the monopoly of the first-class power, that is of the empire which is the richest, strongest, and most extensively engaged in production.

No nation has ever succeeded in long maintaining a supremacy which was not based upon *its own* industries; the intermediary can never be of equal importance to the

principal, and it is therefore of the first and utmost importance that we should fight for our industrial supremacy. Once we lose our importance as a producing nation, our importance as a consuming nation, and our importance as a nation which is able to render services to other nations, must diminish.

THE LAW OF THE UNIVERSE.

Great though the strides may be which we have made under free trade, the strides made by our protective rivals *have been still greater*. If (in order to meet the changed conditions, produced by the refusal of our rivals to follow our free trade lead, produced also by the wonderful scientific and mechanical inventions and progress of the last fifty years), we ought again to protect our industries, let us not hesitate to do it on account of any supposed "laws" of economics.

There is one universal law which is over all other human laws, that is the law of self-preservation; and the preservation of every living thing depends upon its being able to adapt itself to its environment. Had not the "Wooden Walls" of Old England to be adapted to the ironclad of to-day to meet new methods of attack such as high explosives, torpedoes, and submarines? In other words, to suit its methods to its surroundings. If our surroundings have changed—as undoubtedly they have—we must adapt ourselves to those changes, or pay the penalty of extinction.

It is so in nature; it is so in trade and commerce. We have but to think for a moment in order to be satisfied that it is so, and that "economic laws," framed sixty years ago under totally different circumstances, cannot be applicable to the entirely changed conditions of to-day.

How would the *facts* of X Rays, Wireless Telegraphy, Radium, and other scientific developments of to-day fit with the *theories* of 60 years ago?

THE WORKING MAN AND TARIFF REFORM.

There are several weighty reasons why the great question of tariff reform is even more important to the working man than to the capitalist.

One of these is that a great deal of capital can be taken out of threatened home industries and re-invested in foreign protected industries at very short notice, through the medium of the Stock Exchanges of the world.*

The possessor of capital that has been so withdrawn from Great Britain and re-invested abroad can continue to live at home in all his former comforts, probably in greater comfort. The income which he derives from his foreign investment of capital would very likely be produced by cheap foreign labour, working long hours at low wages, and the products of such labour would compete with British labour in the home markets. (It has been estimated that the amount of British capital invested in America since 1876 is over £100,000,000 sterling.)

The workman's capital consists of his mind and body. These he cannot transfer to a foreign protected industry without emigration and a severance of all home ties, but even supposing that the workman desires to emigrate, he may not be able to do it! It is not every workman that has the money necessary to ship himself and family to a foreign country, and to maintain himself and them there until he gets a job to suit him. On this point alone the question of tariff reform is of vastly more importance to the man than to the master.

(The loss to this country and the gain to America represented by each emigrant from our country to theirs is estimated at about £300).

Another reason why this question is of more importance to the workman than to the capitalists is that if, through foreign competition, the employer loses half his capital or half his income, he may still, comparatively speaking, be a well-to-do man. He may certainly have to economise and reduce his expenses, but still he and his need suffer no physical discomfort. The employer may even decide to *close* his factory, and retire

* This has been largely done already.

and live on what he has left, in which case he would probably still be comfortable, if not wealthy. But with the average working man the case is far different.

To him a period of only partial work means privation, and a lengthened period of no work means absolute loss of all savings, and the endurance of such physical discomforts as hunger and cold. *He* cannot retire from his business, because his business of daily toil admits of no retirement except by emigration, the workhouse, or the grave.

There is a third point which workmen would do well to remember, that is, that tariffs placed upon manufactured articles induce foreigners to establish works *inside* that tariff wall in order to avoid paying the duty.

Many British firms have established factories in other countries for that reason. If we put protective duties on foreign manufactured goods, no doubt some foreigners will be induced to do the same here. This makes but little difference to the manufacturer.* Instead of having to compete against the foreign manufactured article, he will have to compete against the British manufactured article; but it would make a vast difference to the workman, as it would give increased employment to British labour.

Arising out of the above arguments, there is a point which deserves the careful consideration of both labour and capital interested in British manufactures.

It is this: the capitalist who withdraws his capital from British industries and re-invests it in foreign industries, would by self-interest be led to desire a continuance of our free imports in order that the foreign manufacture in which he is interested should continue to enjoy a free and unrestricted market, not only in the foreign market but in this. In like manner, the workman who emigrates and becomes interested in a foreign protected industry, would be led from self-interest also to desire the continuance of free imports in this country, in order that he, too, might benefit by *two* free markets for the disposal of his productions.

* It would benefit him, as they would then not only have to pay the British rate of wages and agree to British hours of labour, but they would have to contribute to both our Local and Imperial Taxation.

Now let us ask ourselves this question.

If both the capitalist who transfers his capital and the labourer who transfers his labour to foreign protected industries are naturally led by self-interest to desire that the free import system in this country should continue, is not that in itself a strong reason why we, who have our capital and labour engaged in this country, should wish to discontinue it?

Their interests and ours cannot possibly be the same. They must be diametrically opposed. If free imports to this country are to *their* interests, then protection is obviously to *our* interest.

CRIPPLING OUR COMPETITORS.

IF it is true that import duties are always paid by the consumers in the country which imposes them, and that such duties have the effect of injuring the industries in that country, why do we not instruct our diplomatists to do their utmost to encourage every foreign country to RAISE its tariff walls against us?

IF the consumers in those countries paid all the import duties, this raising of tariffs could not harm our export manufacturers.

IF the effect of those tariffs was to cripple production in those countries, then it is obvious they would benefit us, as those countries would be less able to compete with us either in our home market or in other foreign markets.

According to this argument, therefore, we have nothing to lose and much to gain by trying to induce other countries to increase their protective tariffs.

That would be the case *IF IT WERE TRUE* that the consumer always pays all import duties.

It evidently is *not* true as both free trade and protectionist ministers would do all they could to get other countries to REDUCE their import duties.

“REDUCTIO AD ABSURDUM.”

“All our foreign import trade does is to divert our capital and labour from producing particular classes of goods for home consumption to producing other classes of goods which can be sent abroad in exchange for them, and which will purchase a greater quantity of them than we could by the same effort have produced directly for ourselves.”

Into those words, Mr. R. B. Haldane, K.C., M.P., writing in the *Spectator*, condenses a well-known “free import” argument.

If this theory of the “free importers” is correct, it is the obvious duty of every patriotic Britisher to buy foreign manufactured articles in preference to British goods, as by this means he would—without injuring anyone—be producing the import of a greater quantity of foreign manufactured goods “than we could by the same effort have produced directly for ourselves.” He would thus indirectly increase our exports. In other words, he would be increasing our national prosperity.

It follows—*if* this theory is correct—that a man eating foreign food, drinking German beer, wearing American-made hat and boots, with Berlin-made clothing, French-made shirt and tie, and with a Swiss watch and a Belgian knife in his pocket, is really a more valuable British citizen than a supporter of home industries consuming home-grown food, English beer, (or Scotch or Irish whisky)—wearing a London hat, Northampton boots, Bradford cloth made up by a British tailor, Irish and Lancashire linen and cotton shirt, a Macclesfield tie, using a Lancashire watch and a Sheffield pocket knife!

This is carrying the “free importers” argument to its logical conclusion.

If that conclusion is absurd—as it is—it merely shows the absurdity of the argument which the “Free Trader” advances.

But although the absurdity of the argument may move us to laughter, the fact to which it refers, *viz.*, the displacement of our capital and labour by foreign imports, is anything but a laughing matter.

Think of the cruel mockery of the suggestion that "ALL" that our foreign imports of manufactured goods does is to divert our capital and labour from producing particular classes of goods to producing other classes of goods, which will be exchanged abroad for a still greater quantity of manufactured articles to displace *more* British capital and labour!

Stated as a mere argument it sounds simple enough, but tell a manufacturer whose capital lies in his plant and machinery that "*all*" he has to do is to make some other class of goods for which perhaps his plant and machinery, and possibly his buildings are *useless*! Surely that little "*all*" means to him ruin?

Tell the workman employed by that manufacturer that "*all*" he has to do is to break up his home and to tramp the country for work in another trade which he has not learnt! Surely that little "*all*" means to him, and his, misery and degradation!

It is so easy for a professor of economics, from the security and comfort of his study, to tell the struggling manufacturer or his struggling workman that "*all*" he has to do is to divert his capital or his labour to the production of something else, but for the manufacturer or the workman it is a terrible fate to contemplate.

The argument, in fact, can only be regarded either as a wild theory of the most ludicrous kind, or else as a sober statement of terrible actual conditions which require alteration.

THE LION AND THE EAGLES.

The British Lion has the greatest regard for the American Eagle, the German Eagle, and the Eagles of all other countries. He is pleased to see them soar and flutter and grow sleek and well-nourished, but it is surely not unreasonable of him to remark that he would rather they obtained their food from some *other* source than *his* vitals!

AN ESSENTIAL DIFFERENCE BETWEEN GREAT BRITAIN AND ANY OTHER COUNTRY.

People have read in text books that "All import taxes are paid by the consumer," and applying this dictum to the proposed taxes on imported foreign corn, they proceed to argue that the result of these taxes will be to raise the price both of imported and home grown corn to the full extent of the duty proposed to be put on.

This argument if applied to foreign countries might be good enough in theory, although practice even in foreign countries does not always confirm it, but when this argument is applied to proposed food taxes in this country it falls to the ground utterly because it leaves altogether out of account the most important factor in the situation, which is that Great Britain is the only country in the world possessing Colonies which are large and increasing food producers.

If France or Germany, for instance, put an import duty on foreign food stuffs which reach their shores then they may have to pay that duty themselves, because all food stuffs that reach France or Germany over sea are imported from *foreign* countries, as they have no great food producing colonies of their own. (1)

In this country the position is entirely different.

We possess in our Colonies countries which are great food producers, and as such only in their infancy. The importation of food from those great sources will be entirely free. This large amount of "free" food arriving from those Colonies, plus the home production of food stuffs, must of necessity compel the competing foreign countries themselves to pay most, if not all, of any taxes imposed by us. They must either do this or cease to compete against our home and Colonial growers.

(1) In his speech at Sheffield, Lord Goschen entirely ignored this essential difference between Great Britain and other countries, nor have any of the Professors of Economics writing upon the incidence of taxation on wheat taken into consideration what the effect might be of *no* tax on our Colonial wheat, and a small tax on foreign wheat only. All arguments which ignore this "essential difference" must necessarily be fallacious.

That they will continue to compete is certain because what they send to us is their *surplus* production which *must* be sold, and even after paying us the moderate taxes proposed, they will find us not only the greatest market in the world but also the market in which the tax against them is the smallest.

They have therefore no inducement, either to divert their food stuffs from our market into other markets, or to retaliate in any way, and yet they must compete not only against our home grown products, but also against our untaxed Colonial products, thus producing a situation which was never dreamt of by those who originally framed the dictum that *all* import taxes had to be paid by the consumer.

But, if that is so, asks the free trader, and if the tax on foreign food is really paid by the foreign producer, and if therefore the price of food on the home markets is not raised, how does that benefit either the home or the Colonial producer?

To anyone who takes the trouble to think out the problem the answer is easy. If the price of a quarter of corn is 30/- in the British markets, then 30/- is the price obtained by both the home and Colonial farmers, but if the foreign farmer has to pay a tax of 2/- a quarter into our revenue, then the nett price obtained by the foreign farmer is only 28/-. To that extent both the British and Colonial farmer have a preference which, although not large, must be a distinct encouragement.

This tax in effect would tend to increase the production of food stuffs both at home and in the Colonies, and by so doing tend to our buying more of our food from the British and Colonial farmer,* and less from the foreigner, which would be both a direct and indirect advantage to the Empire, and go far to solving the Colonial difficulty of feeding our people in time of war.

It is doubtful if the majority of those even who favour "Tariffs" on other grounds have fully realised how totally the position of Great Britain—plus her great food producing Colonies—differs from the position of other countries which have not such Colonies. *She is the only country in the world that is in a position to combine a large and increasing supply of untaxed food from distant colonies over sea but inside the Empire, with taxation of food coming from outside the Empire.*

* A present we get more than one-fourth of our imported wheat from within the Empire. This may be vastly increased.

The position is unique. It has "strategical" advantages which it would be madness to throw away.

"Free Food within the Empire" is the next best thing to "Free Trade within the Empire."

That it is *at present* impossible to obtain the latter is no reason why we should not have the former.

GHOSTLY FIGURES.

Lord Goschen amused an audience in London by telling them a story of a Dutch captain who sent an account of the expenses of his ship and himself to his owner. In the account there was an item for a pair of blue trousers. The owner remonstrated and said, "You must cut out that item; what have I to do with your dress?" He gave in another account. The item had disappeared and the owner was content. The captain said, "The blue trousers are there, only you can't see them."

From this Lord Goschen argued that although you cannot always "trace" a thing, it may be "exercising its invisible quantity all the time."

Spiritualists should take a note of this, for they would be equally justified in saying, "The fact that you cannot see the ghost of your great-grandmother does not prove that it is not at your elbow."

Moreover if a great man like Lord Goschen—a former Chancellor of the Exchequer—can thus evade the difficulties of proving his contentions, surely the ordinary tariff reformer who is convinced that free imports constitute a danger to the empire is entitled to say, "the danger is there, exercising its invisible quantity all the time," although you may not be able to "trace" it.

THEIR BEST CUSTOMER.

We are the best customers of all the principal nations of the world, and even if we put a 2/- tax on corn, or a 10 per cent. tax on manufactures we shall continue to be their best customers, not only by virtue of our enormous consuming power, but also by virtue of the fact that any import duties we are likely to impose are small compared to the import duties imposed by other nations.

For instance, how insignificant a tax of 2/- per quarter on corn is compared to the German tax of 7/7 per quarter, and the French tax of 12/- per quarter, and yet prominent statesmen (1) do not hesitate to suggest that if we put a 2/- tax on American corn, America may retaliate by putting an export duty of $\frac{1}{2}$ d. per lb. on all shipments of cotton to Great Britain !

Lancashire men are not sufficiently foolish birds to be frightened by such a transparent "scarecrow" as this. They will ask themselves this simple question, viz.—"If America has not retaliated upon Germany and France for taxing American corn (7/7 and 12/- per quarter) by placing an export duty on shipments of cotton to them, is it likely that America will retaliate on Great Britain for putting on a 2/- per quarter tax on American corn?" There can only be one answer to this question.

So far from "retaliating" upon Germany and France for taxing her corn, America has actually increased the percentage of her cotton crop which she ships to both those countries.

The only country to which America has decreased the percentage of her cotton shipments is Great Britain, the only country which at present does *not* tax her corn. (2)

(1) Mr. John Morley at Manchester, October 19th.

(2) See "Relative Progress of the Cotton Industries of the World under 'Free Trade' and 'Protection.'"

PROTECTION, SHIPPING, AND RAILWAYS.

It is maintained in some quarters that if protection increases the production of home-manufactured goods, and therefore decreases the import of foreign manufactured goods, it must thereby lessen the quantity of goods to be carried by our shipping and railways. This is a fallacy, as if more manufactured goods are produced in this country, the larger quantity of raw materials required for the production of those goods, and the carriage of these varied and bulkier raw materials must at least compensate for any loss of carriage on the more compact finished articles.

If our shipping loses the freight on a certain number of sacks of foreign flour, it will obtain the freight on an amount of corn equivalent to those sacks of flour, or, even supposing the wheat for these sacks of flour is grown in this country, that will enable the British farmer to spend so much more money on other articles which will require to be carried by our shipping and railways.

Or, take for example a case of boots from America.

A great number of finished boots will fit into a case, which is neither very large or very heavy. The freight earned by shipping and railways on such a case cannot be very great. The boots on arrival are unpacked, sold, and worn, and that is the beginning and end of the transaction.

Incidentally it may be pointed out that apart from the carriers, the wholesalers, and retailers, no profit has accrued to this country, and but little labour has been employed.

Now take the case of the same number of boots being manufactured in this country. That manufacture would necessitate the carriage either by sea or by land, or both, of the raw hide to the tannery,* of the carriage of the finished hide to the wholesaler or to the manufacturer, or to both; of the

* Or of the carriage of the imported leather.

carriage of the various articles required by the manufacturer to convert the leather into boots ; and again of the carriage by land of these boots to the retail distributors at home, and also, if exported, the carriage of the boots by land and sea to the retail distributors abroad.

The consideration of such a simple case as this proves that our shipping and railways would gain rather than lose by an increase of home manufactures, even if accompanied by a decrease in imports of foreign *manufactures*. Many instances of more complex processes of manufacture might be cited in which the advantages to both branches of the carrying trade would be much greater. The case of boots has merely been chosen as an example on account of its extreme simplicity, and in order not to overstate the case.

It may be safely assumed that if simple articles like boots, manufactured mainly of one material, furnish such a striking illustration, other articles will furnish even more striking illustrations.

It may again be incidentally pointed out that if a similar number of boots were manufactured at home instead of being imported ready made, employment to several trades and to a large number of workmen would be given, in addition to the same profit, as before, to the carrier, wholesaler, and retailer ; and it must also be borne in mind that the greater wages thus earned in this country, plus the profit made by the British manufacturer, would be expended at home, thus finding remunerative employment for *other* trades, the productions of which would *also* involve a carriage by sea or land of the necessary raw materials, and the earnings of these other trades referred to would be expended in like manner, and so *ad infinitum*.

It is impossible to estimate the immense and remote effects upon a country's industry of any increase or decrease of its productions and industrial earnings. It is like the ripples caused by throwing a stone into a pond.

MIDDLE-AGED WORKPEOPLE.

It is not the pick of our industrial army who feel the effects of foreign competition the most quickly and the most severely. Those who are young, strong, active, and adaptable, can always get work at something, somewhere.

It is those who, although still useful, are past (if only a little) the prime of life.

When factories are working up to their full capacity, these middle-aged and elderly people can produce and earn like the rest, but when "slackness of trade" (often only another name for the results of foreign competition) occurs, then the first who lose their work are the men and women who are not quite so strong, not quite so active, and not quite so adaptable, as they used to be.

The unfortunate part of it is that these are the very people who are the least able to seek, and the least likely to obtain, other work in other directions.

They are also often those who have the largest number dependent on them.

THE HALF-WAY HOUSE.

Between the "Foreign" systems, which tax *all* imported food, and the present "British" system, which taxes *no* imported food, comes the reasonable compromise of the "Imperial" system of "Free Food within the Empire," and no taxation on any kind of food *except* food which might be just as well produced within the Empire as by the foreigner.

DUMPING.

No foreign nation "dumps" its goods below cost price on British shores as a compliment to the British nation. They do it because it pays them to do it.

Does it pay us to let them do it without any restriction?

If we are to give them the privilege of "dumping" upon us, might we not fairly charge them *something* for that privilege?

If they have "surplus manufactures" which must be sold at any price, they naturally look around the world to see where they can get the best *net* prices.

As we get the most stuff "dumped" on to us, it is obvious we must pay the best price. It is not we who are buying relatively cheap. It is the "dumpers" who are getting relatively better net prices from us than from the rest of the world, otherwise the "dumpers" would not "dump" on us but on others.

If we continue to allow all these other nations, whose power of "surplus" production is increasing enormously year by year, to dump this increasing surplus upon us at the best prices obtainable in the world, what will be the position of the British manufacturer and the British workman in say 10 or 20 years' time?

It is not unreasonable to suppose that they will be "In the Dumps."

PROTECTION AND THE COST OF PRODUCTION.

Even amongst those who are fully alive to the injury to capital and labour which is caused by allowing our foreign competitors to send their manufactured articles into this country free, there are perhaps some who do not fully realize one of the most important evils which results from this practice.

It is this. Our purchase of these foreign-made articles not only encourages the foreigner to produce those articles in competition with ourselves, but also enables him to go into the markets of the world and to compete with us in the purchase of the raw materials which both he and we require for the manufacture of those articles.

This competition for the raw material must inevitably raise the price of that raw material against ourselves.

From this it will be seen that by encouraging the importation of foreign manufactured articles, we are not only discouraging our own manufacturer from producing those articles, but we are, in addition, assisting to raise the price of the raw material against him.

In other words, we are attacking the manufacturer at both ends of his business, not only as a producer of manufactures but also as a consumer of raw materials. This is bound to react on his workpeople.

WHO IS WRONG ?

If increasing imports and decreasing exports are—as the free traders maintain—a convincing proof of our growing prosperity, then why is it that all the nations of the world (except Great Britain) DISCOURAGE imports and ENCOURAGE exports ?

Are they *all* wrong ?

Or are we ?

“THE CHEAPEST MARKET.”

It is an axiom frequently laid down by the free import party that we ought to buy in the cheapest market.

Taking the real spirit of that phrase and ignoring the superficial meaning which is commonly attached to the form of words, the statement is one with which the tariff reformers are in complete accord.

In order, however, to arrive at the true spirit of the words, we must ascertain their real meaning.

Let us take the word “cheapest” first. Of what does true cheapness consist? Obviously not merely of absolute lowness of price.

The cheapest food, for instance, is not that which can be bought in the largest quantity for the smallest sum of money, but is that which contains the largest amount of actual nourishment at *relatively* the lowest price.*

Again, the material which is cheapest in the long run is not always that of which the greatest bulk can be purchased for the fewest number of pence, but is the material which most satisfactorily fulfils its purpose for *relatively* the smallest sum of money.

In other words, the relative or intrinsic value of articles must be considered in connection with their price before a decision can be arrived at as to which is actually the cheapest.

The article which is “cheap and nasty” is for most practical purposes not as cheap as a similar article, which, although dearer, is nicer.

An article may be cheap and unwholesome, in which case it would really be “dear at any price.”

It follows that the cheapest *is* that which returns the greatest advantages, both direct and indirect, for the amount of money expended.

* A pound of *bad* beef at 4d. per lb. is not really as cheap as a pound of good, nourishing beef at 8d.

That this is true of individual transactions cannot be disputed.

It is also true of our national transactions.

The nation as a whole derives less advantage by importing from other nations goods which it is capable of manufacturing itself, than it would derive from purchasing the raw materials, and itself manufacturing the finished products.

If looked into from the point of view of the greatest permanent national advantage, it will be found that the importation of foreign manufactured goods, which we ourselves can manufacture, or of articles we ourselves can grow, entails a loss upon the community rather than a profit.

Therefore, in buying foreign manufactures, we are possibly not buying in the cheapest but in the dearest market, even although we obtain them at slightly less than it would have cost us to manufacture them at home.

In the same way the really "cheap loaf" is not of necessity the one which the least money will buy. It is the one which affords us the most nourishment (commercially as well as physically) at the price.

BLIND COMPLACENCY.

The opponents of tariff reform show a marked disinclination to look to the future. Tariff reformers face the situation, and having ascertained that a certain tendency has been manifest for a number of years back, boldly ask the question, "What will our position be if this tendency proceeds in the same ratio for any given number of years in the future?"

"If for instance"—they say—"our exports of manufactured goods to our principal foreign competitors continue to decrease in the same ratio in which they have decreased of recent years, to what extent may they not dwindle in an equal number of years to come?"

"If"—they say—"our exports to British possessions continue to increase in the same ratio that they have recently increased, to what magnitude may they not attain in an equal number of years to come?"

These are fair and intelligent questions, which have the most vital bearing upon the case, and it is useless for the opponents of tariff reform to ignore them.

It is only by ignoring them that the question of what is to be done to prevent a corresponding decrease and what is to be done to ensure a corresponding increase, can be shelved; but it is not wise to attempt to shelve these questions, nor is it wise to say "Nothing can be done, things must go on as they are"

To adopt that attitude is equivalent to resigning oneself to death in preference to seeking a remedy for disease.

It is useless to point to the fact that we at present are prosperous, that our revenues and incomes are the largest which we have as yet enjoyed, that our expenditure is greater than it has ever been, and that we have actually made progress, even although that progress has not been in the same satisfactory ratio as the progress of other nations.

If the jockey of the leading horse in a race rests content with the mere fact that he is at that moment leading, and ignores the fact that some of his competitors are approaching the winning post more rapidly than he is, he is very apt to find that the process of overtaking is followed by the process of outstripping, and, finally, that they and not he have secured the prizes and honours.

Nothing can be more fatal than the self-complacency which looks only at the satisfactory conditions which prevail and which ignores the disquietening tendencies, which show what is likely to prevail in the future.

To prove* that we have never before been so prosperous as we are to-day is no more proof that the prosperity will continue than the fact that the sea has reached high-water mark is a proof that the ebb is not on the point of setting in.

There must have been periods in the existence of every empire and nation which has since decayed, in which they, too, could have pointed to the fact "that they had never been so prosperous before."

Pointing to that fact did not, however, prevent the process of decay, the signs of which no doubt had been evident even in that moment of their greatest prosperity.

The Romans, Venetians, Spanish, and the Dutch are cases in point. Each of those, at one time, held supremacy; all of those have now lost it.

And yet, no doubt, they each had their day of complacency, when, although signs were not wanting of the dangers which were to finally overwhelm them, those signs were ignored.

If, 50 years ago, anyone had told a large country land-owner that there were signs of his income seriously declining in value, he would have been equally justified in disputing it and in pointing to the circumstances of the moment in proof of his hope of even better times in the future.

* This has not yet been proved beyond dispute.

“I was never so well off as I am to-day,” he might have said ; “as each farm becomes vacant I am letting it at an increased rent. I am saving money every year and am able to afford an increased expenditure. How, from these facts, can you argue that I am likely to be poorer in the future?”

Yet rent rolls of properties in many country districts have fallen as much as 50 per cent. within as many years, and many properties sold “by order of the mortgagee.”

The signs that this decadence in the landlords’ prosperity was about to set in were not wanting 50 years ago any more than they are wanting as regards our national prosperity to-day.

Then, as now, people were unwilling to withdraw their gaze from circumstances which gave satisfaction to other circumstances which caused disquiet.

A QUESTION OF SACRIFICE

Free importers maintain — and tariff reformers dispute — that to ask a British working man to consent to import duties is equivalent to asking him to make some sacrifice.

Suppose, for the sake of argument, that the free importers are right, and that such taxes *would* entail some slight sacrifice upon our workpeople.

But what is the sacrifice the free importers themselves ask the working men to make in preference to this ?

They ask him (in effect) to allow foreign labour to displace his own labour without any sort of check or restriction !

Which side asks the working man to make the greatest sacrifice ?

THE INTER-DEPENDENCE OF AGRICULTURE AND MANUFACTURE.

The position of agriculture as compared to other industries in England is very different now from what it was 50 years ago.

Then (in 1851) agriculture employed nearly 2,000,000 persons. Fourteen of the principal trades employed only about 2,200,000.

In 1901 the number of persons employed in agriculture had sunk to under 1,000,000, while the numbers employed in the same 14 principal trades has risen to nearly 2,750,000. In other words, in 1851 about four out of every nine of the industrial classes were employed in agriculture. In 1901 about six out of every nine of the industrial classes were engaged in some occupation *other* than agriculture.

The fact remains that it is still the greatest of our national industries. The annual value of British agricultural produce has been estimated at the enormous total of £480,000,000.

The value of the British hay crop alone (at average prices) has been estimated at £160,000,000 annually, or more than the entire cotton crop of America.

There is an essential difference between the conditions of British agriculture and the conditions of agriculture in many other countries, and that is, that in those countries the agriculturalist is an exporter—*i.e.*, he has a surplus production which he sells to foreign countries.

The British farmer, having no surplus to export, is solely dependent for his market on the wants of his own countrymen.

Hostile tariffs against our manufactured goods, therefore, really affect the British farmer very closely, and he does not, perhaps, give the matter sufficient consideration.

Our "free" importation of the produce of the foreign "protected" farmer gives the foreigner an advantage over the British farmer, and the British farmer would welcome a duty being put on such foreign agricultural products as compete with him; but the British farmer may not see how he would benefit by the imposition of protective duties on foreign manufactured goods.

Possibly he even maintains the opposite view, and, regarding himself merely as a consumer of manufactured articles, is more inclined to oppose than to advocate the imposition of any such protective duties.

A little consideration, however, would prove the fallacy of this view, for the British farmer having no surplus to export to other countries has only *one* customer, and that is the British consumer of farm produce.

It therefore follows that the farmers' prosperity is irrevocably bound up with the prosperity of those who are in some way or other interested in the manufacturing industries of these islands.

This includes the commercial, professional, shopkeeping, and other classes whose livelihood is directly or indirectly dependent upon the prosperity of our industries.

If this large industrial class ceases to be prosperous, it not only buys less from the farmer, but is also compelled to pay lower prices for what it does buy. In times of prosperity this large class is, on the whole, particular as to the quality of what it buys, and shows a decided preference for home food products over foreign food products.

In times of adversity it has not only to buy less, but to waive that preference and buy whatever costs least money.

This large class—by far the largest class in these islands—if prosperous, spends enormous sums of money annually upon what the farmer produces, viz., food for man and beast.

Probably the average farmer, not trading direct with the industrial classes, hardly realises that they are not merely his best customers, but practically his only customers. When

he sells to the shopkeeper, the merchant, the factor, the butcher, or others, he is really selling, through them, to the "general public," and the great bulk of the "general public" are those who are either directly engaged in manufacture or indirectly dependent upon it.

If unfair foreign competition kills or cripples our industries, forces our artisans to emigrate, or induces our capitalists to invest their capital in other countries, it is either spoiling or destroying the British farmer's only market.

There is another side to be considered. The farmer not only sells to the manufacturing classes; he also buys from them, and if they are practically his only customers he may at least claim that he is one of their best customers.

A study of any country town on market day furnishes sufficient proof of this fact. The farmer goes there not merely to sell but also to buy.

Through the medium of the markets he disposes of his agricultural produce to be distributed through the great consuming districts. Through the medium of the shops he purchases the articles which he requires, and which have probably been produced in those same manufacturing districts.

If he purchases in the shops articles of foreign manufacture he is reducing the purchasing power of his own customers, who will have the less money to spend on farm produce.

That will give the farmer less money to spend in the shops, which in turn means that the shopkeeper has to reduce his purchases from the manufacturer.

THE AGILE FREE TRADERS.

A strange aspect of the fiscal controversy is that when Colonial protectionists declaim against any suggestion that they should even reduce their Colonial protective tariffs *a little* in favour of the mother country, the free traders in this country clap them on the back and say, "quite right! It is absurd to ask you to injure your industrial development by *any* departure from all round protection which is *essential* to your industries."

Yet when a little protection for the industries of this country is suggested to these same people, they say, "quite wrong! It is absurd to injure our industrial development by any restriction of free imports which are *essential* to our industries!"

Free importers cannot be right both ways! If they are right in thinking that even a small step in the direction of reducing import duties would injure Colonial industries, they must be wrong in maintaining that protective duties on imports here will injure British industries.

But the so-called free trade party argue a third way on another point.

They say that if we put a tax upon articles coming into this country, "it is not the producer who will have to bear the tax; it is the consumer."

But, when an *export* tax was put upon coal in this country, they said, "it is not the consumer abroad who will have to pay this tax; it is the producer here who will suffer!"

These "free traders" are the most agile people in the world, for they manage to face *three* ways at the same time.

They maintain that though *we* have to pay an export duty on coal we export, *and we* have to pay an import duty on corn we import, *we also* would have to pay an export duty on our imported cotton *if* the Americans were fools enough to put it on!

The efforts of these gentlemen to refute the arguments of the tariff reformers remind us of the old story of the shopkeeper who in order to spite his rival over the way wrote on his sign-board "Don't go over the way to be swindled, COME IN HERE."

THE PRODUCER AND THE CONSUMER.

A great outcry has been raised over the proposals to protect our industries against the unfair competition of foreign nations, by those who say that while such a policy might enrich the producer it would impoverish the consumer.

Who is the consumer, and who the producer ?

The community may be roughly divided into the following classes: —

1. Those who are merely consumers, and are not interested either directly or indirectly in the prosperity of the agricultural or industrial classes, or even in the general prosperity of the nation. This must be a very small class.*
2. Those who, though not actually engaged in any productive enterprise, are either, as landowners, partners, or shareholders, interested in the prosperity of some form of industry.
3. Those who, though not directly interested as landowners, partners, shareholders, or otherwise, in any form of industry are indirectly interested, in professional or other capacities, in the prosperity of the productive classes.
4. Those who are mainly dependent, as financiers, merchants, carriers, dealers, agents, shopkeepers, or otherwise, for trade or business, either upon some industry or on articles necessary to that industry.
5. Those actually engaged in farming, manufacture, or some other form of industry.
6. All those in the employ of classes 2, 3, 4, and 5.

* It is difficult to find any people who really beyond dispute belong to this class. Many think that they are solely consumers because they have "fixed" salaries. They forget that *very* few salaries are so "fixed" that the prosperity of their employers cannot mean an increase, or bad times for their employers a decrease of salary.

It is evident that in five classes out of the six the consumer and producer are practically one and the same person, and that therefore the power of the consumer to consume depends upon the ability of the producer to produce. In fact money must be made by production before it can be spent in consumption. *Income* is the natural result of *output*.

Production is the vital part of a nation's organism, and protection of the vital parts is the great and wise instinct of self-preservation.

The old proverb says—"Look after the pence and the pounds will look after themselves." It would be equally true to say—"Look after your production and your consumption will look after itself."

No man need fear starvation as long as he has facilities for earning money. It is when his power of earning money (*i.e.*, of production) is threatened that his stomach is in danger.

Therefore, the surest way to protect the consumer's stomach from being empty is to protect the industries which, in five cases out of six, directly or indirectly, enable him to fill it.

On the sound principle of the greatest good for the greatest number, it is impossible to ignore the welfare of the large number in five very important classes for the sake of the small number in one less important class. Analysis will show that there are very few people indeed who are really *solely* interested as consumers and not at all in production. If they are so fortunate as to be in that happy position, they are surely less to be considered than those who *must* earn their bread by some form of work *when they can get it*.

TACTICS.

What would be thought of a military leader who maintained that the best possible position for his army was on an unprotected plain fully exposed to a concentrated fire from many opposing forces, whose protected entrenchments rendered it easier for their "fire" to injure his soldiers than for his fire to injure their soldiers?

Would he not be regarded as madly and criminally throwing away not only his chances of success, but also the lives of his men?

Yet, the political leaders of the "free import" party maintain that the best position for our agricultural, commercial, and industrial armies to take up is one in which they are exposed without any protection whatever to the concentrated and unrestricted competition of all the other nations of the world, who from behind their tariff walls are able to attack our undefended position, and do us much more injury than we are able to inflict on them. The free import leaders protest against the idea that we should even say—"Unless you reduce your fortifications we must put up fortifications in self-defence."

“WHILE THERE IS LIFE THERE IS HOPE.”

A free trade argument is that protection only "bolsters up" decaying trades or dying methods of manufacture.

Even if true, it is surely better for us to try and resuscitate our dying and cure our wounded than to invite foreign competitors to wander over our commercial battle fields, and kill them off.

But as we adopt so many of the newest ideas and best methods of manufacture from foreign protected countries, does it not look as though it was Protection and not Free Trade which fostered inventiveness and up-to-date methods ?

Perhaps one reason why we sometimes cling to obsolete methods is the fear of embarking capital in industries which are already threatened by foreign competition.

PRESIDENT ROOSEVELT'S OPINIONS.

An American President is the mouth-piece of the greatest democracy in the world. He may speak for tens of thousands of the rich, but he speaks for tens of millions of working men. If he did not voice *their* views the working men of America would not have elected him. The democracy in America is supreme.

Speaking on the tariff question recently, President Roosevelt said :—“Our present phenomenal prosperity was won under a tariff made in accordance with certain fixed and definite principles, the most important of which is our avowed determination to protect the interests of the American producer, business man, wage-worker, and farmer alike. The business world cannot afford, if it has any regard for its own welfare, even to consider the advisability of abandoning the present system. Yet, on the other hand, where industrial conditions so frequently change, as with us must of necessity be the case, it is a matter of prime importance that we should be able from time to time to adapt our economic policy to the changed conditions.”

COAL.

When Tariff Reformers insist upon the fact that our exports of coal should be deducted from our total exports because coal is "Capital," they are not in any way minimising the value of the coal fields of this country, or throwing any slight upon an extensive and time-honoured industry. The contention that coal is "Capital" is in fact complimentary to all concerned in coal production.

The reasons why exports of coal from Great Britain should be regarded in a different light from exports of cotton from America, or corn from other countries, are not far to seek. Cotton and corn are both annual products. No sooner is a crop of either gathered than preparations are being made for the planting of another crop. The land on which they are cultivated still remains, and is available for purposes of further cultivation.

With coal it is very different. Once the coal has been raised to the surface and shipped abroad, nothing remains but a hole in the ground. It is not like cotton or corn, capable of re-production. Therefore, in that sense it must be regarded as "Capital" just as much as the produce of the cotton or the corn fields must be regarded as "Income."

It is not to be suggested for a moment that the output of our coal fields ought to be reduced. They are a form of national productiveness just as much as any of our other industries. They give employment to capital and labour, and the greater the prosperity our coal fields provide both for capital and labour, the better for us all. But, without wishing in any way to reduce our output of coal, it is possible to think that it might be to our national advantage if more of it was used at home and less of it shipped abroad.

If a great part of what is now exported to enable foreign factories and foreign shipping to compete with us could be used by British factories and British shipping, the coal fields would

be no worse off and the nation better off. If, for instance, by a wise system of preferential and other tariffs, we could increase the import of raw materials and food from countries which would take payment from us by exports of our manufactured goods, our steamships and railways would use as much coal as they do now, or more; our manufacturers would use much more; and the increased sums earned, not only by our manufacturers and work-people, but also by the many classes dependent upon them—such as agriculture—would cause them all to use more also.

We might, in fact, see reduced exports of coal to foreign countries combined with a larger output from the collieries, and a greater all-round prosperity in the country resultant therefrom, and this *without* any export duty on coal.

“INSURANCE.”

Do the people who maintain that they will never agree to protection in commercial matters ever pause to consider how largely protection, in one form or other, enters into their daily life?

The real truth is that we “protect” ourselves at every turn, and we already submit to many protective taxes, not because we like being taxed, but because we know that these protective taxes must exist, and that we reap full benefit from them.

For instance, the taxes which we pay for the upkeep of our Army and Navy are taxes which we pay for the protection of our Empire from destruction by a foreign foe; sanitary rates we pay for protection against disease; the police rates which we pay are for protection against lawlessness; our educational rates are to protect us against the evil consequences of ignorance; our water rates are to protect us against the risks of impure water.

These are only a few of the many protective rates which are paid by those individuals who maintain that they do not believe in paying taxes for protective purposes.

Taxes to protect ourselves in this manner, or taxes which are to protect our industries from extinction through undue foreign competition, are really in the nature of Insurance Premiums.

When a man insures his life, when he insures against accident, when he pays insurance premiums against fire or marine risks, he is really paying protective taxes.

He pays all such taxes (or premiums) willingly and without demur, because experience has taught him that it is wiser to pay the taxes than to run the risk.

And yet many men object to any such premiums being paid in respect of the industrial risks of the nation, even though they may not have to pay the premiums themselves, but may collect them (or part of them) from the foreigner!

GRINDING.

Nothing should be much more offensive to the eye of the patriotic Briton than the sight of a sack of foreign-made flour for sale in a British shop.* It is so unnecessary. We have the ships to carry unlimited cargoes of corn, and we have mills and millers ready to grind unlimited quantities of corn, and, what is still more important, we have thousands of workpeople who want the wages for grinding it.

We have also the British farmer, who would like to have the wheat "offal" in this country as cheap feeding stuff for his beasts. At present the foreign farmer has the advantage of this offal as well as the foreign labourer the advantage of the wages.

PAUPERISM.

One of the most effective arguments which has been used by the "Free Fooders" is that the marked diminution in pauperism has been *the result* of the repeal of the Corn Laws.

It is astonishing that so many prominent men have committed themselves to such a contention, for, as a matter of fact, the price of corn and pauperism have little (if anything) to do with each other. The fact is that the word "pauperism" in recent years and the word "pauperism" in Mr. Cobden's time had two very different meanings.

Then it was the custom to grant out-door relief to able-bodied labour, and labourers were anxious to become "paupers," *i.e.*, obtain out-door relief because the condition of the pauper labourer was then more comfortable than the condition of the labourer who did not receive out-door relief.

* The consumption of foreign-made flour in the United Kingdom has grown from 14 lbs. per head of our population in 1871 to 51 lbs. per head in 1902.

In later years, able-bodied labour could only obtain out-door relief under increasingly stringent conditions.

The decline in pauperism has resulted not from a reduction in the price of corn, but from a great alteration in the administration of the Poor Laws. This change in the administration took place *prior* to the repeal of the Corn Laws, and was followed by an immediate and rapid reduction of pauperism.

It was in 1834 that the Commissioners reported that the then administration of the Poor Laws was "opposed to the letter and spirit of the law, and destructive of the welfare of the community." There was no reference to import duties. It was entirely a matter of administration, and when the administration was altered a great and immediate relief was experienced. Wages rose, and within three years the Poor Law expenditure fell 33 per cent. This was 14 years prior to the repeal of the Corn Laws, and is in itself a proof that the reduction in pauperism was *not* due to the repeal of the Corn Laws.

In 1848 the old Commissioners were replaced by a Government Department and President who was a Minister of the Crown. In that year the "sliding scale" taxes on corn were abolished.

Six years later, 1854, the ratio of pauperism to population was 4·6 per cent.* Wheat was then at 72/-.

Five years later, 1859, the ratio of pauperism showed a slight increase, viz., 4·7 per cent. Wheat was then 44/-.

The ratio of pauperism was the same (4·7) in 1864, with wheat at 40/-. Therefore, for ten years the ratio of pauperism had remained *stationary*, though wheat had *declined* 44 per cent.

Still, five years later, 1869, there was a slight *decrease* in the ratio of pauperism (to 4·5 per cent.), but an *increase* in the price of wheat to 48/-.

* In order to avoid too many figures, the average ratio of pauperism for the five years has in each case been taken as the ratio for the year named. The figures relate to England and Wales only. They would be even stronger if Scotland and Ireland were included.

In 1874 pauperism has again *declined* to 4·2 per cent., but wheat had again *advanced* to nearly 56/-.

In 1879 there was a marked decline in pauperism (to 3·1 per cent., or 1·6 per cent. less than in 1859), but wheat, after being dearer for most of the intervening years, was practically the same price as in 1859, when the ratio of pauperism was 4·7 per cent.

If further proof were required as to how little the price of corn has to do with pauperism, it may be noted that between the years 1879 and 1899, the ratio of pauperism declined only 0·2 per cent. although during those years the price of wheat fell about 45 per cent. (from 44/- to 30/-).

It is possible to go even further and to say that the causes of pauperism are not only independent of the price of corn, but are even independent of the price of food generally, for between the years 1877-1896 the average cost of food for the workman's family fell from the highest "index number" of 143 to the lowest "index number" of 87, a decline of over 30 per cent., and the ratio of pauperism to the population declined only half of one per cent. !

In Ireland the ratio of pauperism has more than *doubled* since 1864, although corn in the meantime has *gone down* to about half the price it was then !

The above figures prove that the decline in pauperism was a steady decline, due to better administration of the Poor Laws and possibly also other circumstances, and quite independent of the price of corn. The "Free Importers" have no more right to attribute this decline in pauperism to the repeal of the Corn Laws than they have to attribute to that Act the prosperity caused by the inventions of science, the finding of gold, the building of railways, the increase of populations in the world, and other causes.

TECHNICAL EDUCATION.

Technical Education is undoubtedly a good thing, but like most good things, costs money.

In order to compete with other countries which spend large sums on Technical Education, we should have to adopt a comprehensive scheme which would not only cost money, but very much money.

Where is this money to come from without increasing the burdens of our people ?

Other countries which have systems of Technical Education have also systems of Protective Import Duties. Is it not possible that the duties so raised pay for the cost of their Technical Education ?

If so, may it not be that *we* are thus partly paying on our exports to them for the Technical Education of *their* work-people, and so enabling them to compete more and more severely with *us* ?

Might we not with advantage play the same game with them, and out of taxes paid by them on their exports to us pay for a system of Technical Education, which would render our work people more and more able to compete with theirs ?

WHO PAYS IMPORT DUTIES ?

Free traders resolutely assert that all import duties are paid by the consumer.

If we can establish one clear instance where such is not the case, it not only proves their fallacy in that particular case but proves that they may be entirely wrong in their whole contention.

It is therefore very interesting to note that the British directors of two large Indian tea companies (representing a capital of £3,000,000), in a recent annual report to their shareholders, expressed a hope that the duty on tea would be reduced, because, as they stated most definitely, the import duty fell *upon the producer*.

The reports containing these statements were not only issued as business documents by boards of directors, consisting of well-known men (presumably not all, if any, Protectionists), but were issued a couple of years before the air was full of fiscal controversy, and when there was no reason to refer to the matter except *as a fact* affecting the shareholders' business.

Not only does the statement of the directors of these tea companies prove that import duties are not always paid by the consumer, but it furnishes another strong argument in favour of the proposals to take a portion of the import duty off tea and place it on some other foreign imports.

The bulk of the tea we now use comes from India and Ceylon.* The bulk of the capital employed in the tea industries of these countries is British capital. Tea planting is in fact now essentially a British industry. Therefore, if we take the tax off tea and put it on some foreign produce, we are reducing a tax on an article which employs mainly British capital and the labour of the Empire, and putting it on to something else which is produced mainly by foreign capital and foreign labour.

* Nearly nine-tenths of our tea comes from British possessions.

October 26th, 1903.

